



**New York Excess
Claim Management
Department**

American International Underwriters
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BWsf
12.11.8

4/6/98

LOWENSTEIN, SANDLER

APR 10 1998

Lowenstein, Sandler, Kohl, Fisher & Boylan
65 Livingston Ave.
Roseland, N.J. 07068-1791

Attn: David M. Wissert

Re: Group R/Marmon Group
Policies: 75-101660, 75-101539
75-103566, 75-103641
75-100906, 75-100907
75-101723, 75-101724

Gentlemen:

Your firm has now furnished the American International Underwriters with the captioned policy numbers for which you have placed us on notice of a pollution claim and litigation arising in the Coeur d'Alene Basin in Northern Idaho. You have also supplied us with copies of policy Declaration pages for policies 75-101660 and 75-101539.

Because these policies were written back in 1980 and the others, indicated by your correspondence of 12/16/97, between 1982 to 1985; the age of the policies has made our task in locating copies something of an adventure. As you did furnish the two copies, we were able to determine that the actual name of the policyholder is the Marmon Group and these policies were written through our Chicago office. Supplying this information to AIU - Chicago, they now advise they have made an exhaustive search of their archive records with no results.

We have written to the brokers for these policies, Reed Shaw Stenhouse and NBA Excess and Surplus Lines, Inc., also without success in locating the policies or other policies. If you have copies of the other captioned policies not already supplied, we would appreciate your assistance in supplying us with the missing policies.

The AIU previously advised you that their policies are high excess policies, witness the \$75,000,000 attachment point of policy 75-101660 and the \$50,000,000 attachment point of policy 75-101539. As excess policies, they do not have a defense obligation until all underlying policy



GRP "R" CDA dm - 0362

LS 003604

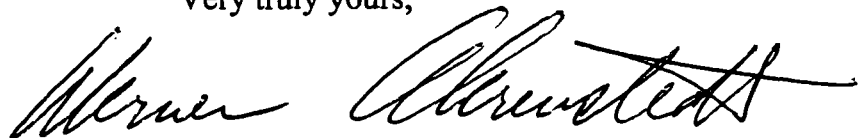
limits are exhausted; they do not drop down in place of insolvent insurers; and, they follow form to the terms, conditions and exclusions of the policies below, incorporating those terms, conditions and exclusions as their own.

We call upon you to provide us with the names and addresses of all primary insurers and other umbrella and excess carriers against whom you have noticed this pollution claim. We would also ask that you define and itemize the claim for damages being sought against the Marmon Group.

Until such time as the Marmon Group is in a position to comply with all the terms and conditions of any and all policies against which it is making claim, the American International Underwriters reserves its rights under the captioned policies for coverage issues raised in this correspondence or any previous correspondence and for any issues yet to be determined.

We will be happy to stand by to assist you in determining and understanding those policy terms, conditions and exclusions which may apply.

Very truly yours,

A handwritten signature in cursive script, appearing to read 'Werner Ahrenstedt', written in dark ink.

Werner Ahrenstedt